

DRAFT

ANIMAS RIVER STAKEHOLDERS GROUP MEETING

MARCH 14, 1996

SILVERTON PUBLIC SCHOOL

SDMS Document ID



1060094

PROPOSED AGENDA

- 6:00 PM -- Introduction (summary of 1/31/96 meeting and proposed agenda)
- 6:10 PM -- Update on Sunnyside/CDPHE Agreement
(Note: The CDPHE/Sunnyside agreement is in the packet for prior review. Both Dave Holm and Bill Goodhard are planning to be at the meeting to discuss the agreement further and to help answer your questions.)
- 7:30 PM -- Break
- 7:40 PM -- Relationship of Agreement with Ongoing Stakeholders Project
- Compatibility with Prospective Cleanup Actions
 - Coordinated Monitoring Activities
 - Other Relationships
- 8:10 PM -- Group Response to Actions
- Options
 - Selection of Preferred Option
 - Follow-up
- 8:40 PM -- Ongoing Topics
- Work Group Reports
 - Status of CDPHE/EPA Sampling Plan
 - Coordinator's Report
- 9:10 PM -- New Topics
- Key Items From Facilitator's Training
 - Goals and Objectives Status
 - 1995 Project Status Report
- 9:25 PM -- Next Meeting/Topics
- 9:30 PM -- Adjourn

PLEASE NOTE!!! THE MEETING WILL BE HELD IN THE BAND ROOM (LOWER LEVEL) OF THE SILVERTON PUBLIC SCHOOL !!

Summary Of The Animas Stakeholders Group Meeting Silverton, CO January 31, 1996

Attendees (29): Peter Butler and Si Irwin (FOAR); Bill Goodhard, Larry Perino, Gilbert Archeleta, and Jim Cass (Sunnyside Gold); Paul Krabacher (DMG); Greg Parsons, Bob Owen, and Dave Holm (WQCD); Steve Fearn (Silver Wing); Camille Farrel (CDPHE); Terry Rhoades (San Juan County); Bill Simon (Basin Coordinator); Jerry Sandell (Howardsville Mill); Jim Herron (authority on local perceptions); Win Wright (USGS); Carol Russell and Pat Smith (EPA); Bill Wilson (Gold King Mines); Stan Powers (USBR); Terry Morris (Silverton); Barb Horn and Carolyn Adams (DOW); Chris George, Jr. (Silverton); Tom Malloy (MSE); Kevin deKay and Lorisset Bergman (Silverton); and Gary Broetzman (CCEM).

Agenda

Following introductions of guests, the summary of the December 7, 1995 meeting was discussed and accepted with minimal change. The draft agenda for this meeting was followed with the first half of the meeting devoted to the emerging agreement between Sunnyside and the WQCD.

Sunnyside/WQCD (CDPHE) Agreement

Dave Holm, Director of the WQCD, presented the tentative framework that Sunnyside and the WQCD had reached on the settlement of legal and regulatory issues related to the eventual closure of the Sunnyside Mining operations and the inactivation of the discharge permit (see attachment). Bill Goodhard helped give Sunnyside's response to topics covered. Dave said that the two parties were close to an agreement in concept. The technical basis of the agreement was a no net increase in metals loading to the stream system with the proposed actions. It would include: 1) source reductions beginning in 1996 at several inactive mines, including offsite sources (list "A" sites), 2) plugging of the Terry and American Tunnels, 3) alkaline additives injected into the mine workings as they fill, 4) treatment of Cement Creek flows using the existing Sunnyside treatment facilities during the period of project implementation (estimated at about 5-7 years), 5) additional offsite investigations and corrective actions (per the "B" list) should water quality monitored at A72 during the implementation period reveal any deterioration of water quality at that location, and 6) the eventual inactivation of the permit and discontinuation of Sunnyside's presence at the site after this work is implemented and successfully monitored.

Dave said that he believes that this agreement would be compatible with the Stakeholders' goal of improved water quality because it would result in no further stream quality deterioration and could likely lead to water quality improvements (particularly zinc reductions). Further, it may include projects beyond the Group's capabilities to implement.

Dave expects the proposal to be ready for distribution by March 1 followed by a 30-day public comment period. That deadline is not flexible because of court deadlines associated with the agreement. Dave expressed his hope that the Group would recognize that this meeting would provide additional time for the Group to consider the proposal. He indicated that the Division would be available to discuss further questions related to the agreement perhaps at the next meeting of the Group. Several questions were fielded by both Dave and Bill Goodhard. Bill stressed that the agreement is tentative and still needs to be acted upon by the Board of Directors of Echo Bay Mining.

Status of Activities

Coordinator's Report. Bill Simon passed out his monthly report. One of his activities was a presentation he gave at the annual RC&D meeting in Albuquerque. He also passed out and

briefly discussed his draft goals and objectives statement. That statement was on the Feasibility Study Work group's agenda for the next day.

Monitoring Work group. The Mineral Creek data is being reviewed. Data collected in that drainage by the CGS and the Silverton Riverwatch program is also available. Bill mentioned a recent decision by the DOI/USDA to withdraw its national proposal for statewide general permits for federal lands. Bill hadn't been told of the reasons for that action and as to how that might affect the participation of the BLM and USFS in the Animas. Neither the BLM nor the USFS were in attendance.

CCEM's Future Role. Gary lead a discussion of the future role of CCEM in the Animas initiative drawing from the memo in the packet. He stated that CCEM had DOE funding for the end of the calendar year, but that the continuation of DOE funding beyond 1996 is uncertain. Further, he believes that the time is right to have someone from the locality take over as meeting organizer and facilitator. The Group seemed incline not to act on this issue now, but to use the year as a transition period for change.

DU Review of Process. The questionnaire that Laura Belston had sent out with the packet was discussed. Gary urged everyone to take a few minutes to fill it out and mail it to Laura so that she can evaluate the mid-course views of the participants on the effectiveness of the process.

Review of Continuing Investigative Approach

The issue related to this topic is: should the Group continue with Cement Creek drainage investigations as planned given the uncertainty of future federal funds? The issue was prompted by the apparent availability of FY96 funding for Cement Creek, and the possibility that similar funds for the Upper Animas drainage for FY97 might not be available from EPA. Greg Parsons indicated that the FY96 funds have not been awarded yet, and that they may be reduced or slowed given the uncertain status of federal funding. Various options were suggested including focusing more on waste sources and using a modified approach for additional stream sampling (Bob Owen and Carol Russell) and giving more attention to sediment sampling (Win Wright). Ultimately, the Group seemed to favor continuing with work within the Cement Creek drainage and the Animas Canyon this year and to defer investigations in the upper Animas drainage until 1997.

Hydrologic Controls

Bill Simon led a discussion on what sites need to be selected, the need for owner approval of work on those sites, the nature of construction, and the process to be followed in proceeding with this work. Specifically, the Group identified a hierarchy of actions as follows:

- Identify criteria for site selection
- Prioritize sites according to the criteria
- Meet with San Juan County Commissioners and Historical Society to gain their input
- Obtain permission from land owners
- Select sites

A DMG person may be able to help with gaining owners' permission. Gaining approval from the land owner was viewed as a key factor. Jerry Sandell suggested that the landowner's response would have a significant bearing on whether the site should proceed at this time. Further, he suggested that cost sharing with the owner should be evaluated on a site-by-site basis depending on the eagerness of the land owner to offer to help. These ideas were accepted.

DRAFT

EPA/CDPHE Sampling Plan

The group got into a lively discussion of the appropriateness of its linkage to the EPA/CDPHE sampling plan related to CERCLA-related analyses. At the December 7 meeting, the Group had asked that the two agencies work together in developing the plan and to come back to the Group when a draft copy was available for discussion. The principle concern is the public perception of having the Stakeholders Group be involved in support of such sampling because of the apprehension locally over the onerous nature of CERCLA. The concern was made more difficult because of the prospects of the Group receiving needed funding support from EPA to cover specific sampling activities (such as sediment and drinking water wells sampling). The Group clearly did not want to be put into a position of supporting sampling or receiving EPA funding for this purpose, but appeared to want to be kept apprised of progress on the development of the plan.

Next Meeting

The Group selected two dates for the next meeting. March 14 (evening meeting) was the preferred time provided that CDPHE and Sunnyside can complete their agreement by the end of February and the Stakeholders Group receive it shortly thereafter for review prior to the meeting. If that schedule slips, a backup meeting time of March 28 was selected.

Adjourn

The meeting concluded at about 9:50 pm.



UNIVERSITY of DENVER

University College

February 28, 1996

To the members of the Animas River Stakeholder Group:

Please accept my sincere thanks to each of you who took the time to complete the questionnaire we sent out prior to the January meeting. The response was phenomenal! I genuinely appreciate the time and effort that went into the thoughtful responses.

I hope to be able to send you some preliminary results in time for the next stakeholder meeting. I'll provide these to Gary Broetzman so they can be sent to you in your next packet of information.

Again, thank you for responding. Everyone has such incredibly busy schedules these days, so I truly appreciate your kindness and assistance.

Sincerely,

A handwritten signature in cursive script that reads "Laura Belsten".

Laura Belsten, Director
Division of Health and Environmental Programs
University College - University of Denver

Rocky Mountain News Sat., Feb. 17, 1996

Mine owners, state reach agreement

Firm will plug mines,
help clean Animas River

Associated Press

SILVERTON — Sunnyside Gold Corp. and the Colorado Department of Public Health and Environment have reached a precedent-setting agreement aimed at improving water quality in the Animas River Basin near Silverton.

The agreement, announced by Sunnyside and the health department on Friday, was reached after lengthy negotiations that involved the Colorado Attorney General's office.

It will permit Sunnyside to permanently close its Sunnyside gold mine and plug the American and Terry mine tunnels that provided access to the mine.

The mine is 7 miles north of Silverton.

The order calls for the mining company to remove several tailings sites in the area and to divert and treat water from a nearby creek to protect the Animas River from possible short-term pollution while the cleanup occurs.

Although they weren't created by Sunnyside mining operations, the additional waste dumps and tailings piles outside Sunnyside property were leaching metals into the Animas river.

The agreement, to be filed in a consent decree in Denver District Court after review by the Attorney General's office, resolves a lawsuit Sunnyside filed in 1994 to get a clarification on the state's enforcement of water quality rules regarding discharges.

The health department had sought to hold Sunnyside liable for pre-mining groundwater conditions, including potential discharges from naturally occurring seeps and springs.

"This type of agreement has never been accomplished," said Bill Goodhard, Sunnyside Mine manager. "It establishes a process that responds to the legitimate interests of both parties, and ensures that important reclamation work along the Upper Animas River, not available before the agreement, will be carried out."

The drainage from the tailings sites affects the water quality in the river, when metals such as iron, manganese, zinc and aluminum wash into it during storms and spring runoff.

Sunnyside has invested \$9.9 million in reclamation at the Sunnyside and Mayflower Mill locations to date and estimated it will spend between \$5 million and \$10 million in two years on reclamation of the seven sites.

The Sunnyside Mine operated from the 1880s through 1991, when it closed after economically viable gold deposits played out. Sunnyside acquired the mine in 1985.

Sunnyside Gold Corp. is a wholly owned subsidiary of Echo Bay Inc. of Denver, with mines in the United States and Canada.

Pg 18a

Sunday Feb 19, 1996

SINCE
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Durango

Herald

Upper Animas plan first of its kind

Mining co.,
state reach
cleanup
compromiseBy Electa Draper
Herald Regional Editor

Sunnyside Gold Corp. reported Friday it has reached a landmark compromise with the state to clean up several long-abandoned mine sites it doesn't own in the Upper Animas Basin. By doing so, Sunnyside can seal up its own mine, wrap up reclamation and exit the basin in a few years.

Sunnyside Manager Bill Goodhard said the company has agreed to remove mine tailings at Boulder Creek, Pride of the West, Koehler Longfellow and other sites near Silverton, where property owners reportedly cannot be held accountable - for lack of resources or other reasons. These old mines still load heavy metals into area creeks and the Animas River.

If all goes according to plan, Sunnyside's anticipated improvements in water quality at these sites will offset any problems attributable to closure of its own mine, thus freeing the company of any future liability because of it.

The last of San Juan County's big operations, Sunnyside Gold Mine shut down in 1991 after producing gold and other metals off and on since 1872. About two years ago, the last operator of the mine, Sunnyside Gold Corp., began its final phase of reclamation, plugging four mine tunnels with steel-reinforced concrete to divert water flowing out of mine portal into natural channels.

The state Mined Land Reclamation Board granted Sunnyside Gold Corp. a permit in 1993 to hydraulically seal its mine. But the company and the Colorado Department of Public Health and Environment disagreed on the nature of seeps and springs likely to form after the American



SUNNYSIDE GOLD Corp. workers, above, in 1994 prepared the American Tunnel of the Sunnyside Gold Mine for plugging. Some 320 tons of steel-reinforced concrete were used to create a 25-foot-long hydraulic seal, shown below, deep within the

two-mile tunnel. When valves are closed in the next few months, the seal will greatly slow the flow of mineral-laden water at the tunnel's portal but could create springs and seeps in other areas.



Tunnel was plugged and the mine flooded with water. Should any new springs be considered point-source discharges of pollution and subject to permits?

Sunnyside sued the department in May 1994 to prevent it from requiring new discharge permits.

"The Health Department had sought to hold Sunnyside liable for the effects of restoring the

pre-mining groundwater conditions," the company stated in a press release Friday. "Sunnyside sued to get clarification of the state's enforcement of water quality rules. The lawsuit would have resolved the apparent differences between the two state agencies' reclamation directives."

Instead, Sunnyside and the Water Quality Control Division of the Health Department reached a settlement - substitute remediation of several trouble sites outside of Sunnyside's operations. The settlement reportedly is under review by the attorney general's office, and a court-ordered consent decree must be obtained to make it

■ See CLEANUP, Page 12A

NGO HERALD

CLEANUP

Continued from Page 1A

final.

Animas Watershed Coordinator Bill Simon, who works for a consortium of private and government interests called the Animas River Stakeholders, said the settlement is "chancy, but we've got to go for it."

"This may not be the best we could hope for, but it may be the best we're going to get," Simon said. "It's a negotiated settlement. It's a new way of doing things."

Simon said the settlement might not improve basin water quality, but it should help prevent worsening contamination by heavy metals, such as iron, zinc, manganese and aluminum.

Sunnyside, which is one of the Animas Stakeholders (along with environmental interests and local, state and federal agencies), has spent almost \$10 million on reclamation at the Sunnyside Mine and Mayflower Mill. It expects to spend \$5 million to \$10 million and two years on reclamation required in the settlement.

Sunnyside is a wholly owned subsidiary of Denver-based Echo Bay Inc., a large gold producer with mines in the United States and Canada. Echo Bay purchased the Sunnyside property in 1985 through bankruptcy proceedings for Standard Metal. It put the mine back into production from 1985 until 1991, when "economically

UPPER ANIMAS SETTLEMENT

Sunnyside Gold Corp.'s success with cleanup of the Upper Animas River Basin will be measured in the river below its confluence with Mineral Creek and downstream of Silverton. The concentration of dissolved zinc will be the water-quality indicator.

Water quality might not improve, but it may not deteriorate.

■ Sunnyside first will close valves installed in its sealed mine tunnel, then it will divert and treat water from Cement Creek at an existing plant to provide "a water-quality cushion" for the Animas while other cleanup work gets under way.

■ Sunnyside next will complete projects on its "A" List, which include: filling the Sunnyside Mine with alkaline water to counteract high acidity; removing the mine waste dump at the south fork of Cement Creek; removing surface tailings at the Eureka townsite; mitigating surface mine wastes and installing a bulkhead at the Gold Prince Mine; mitigating the Koehler Longfellow mine site; and mitigating tailings at Boulder Creek and Pride of the West. Monitoring will ensue.

Sunnyside owns or is a part owner of many of the properties, but not Koehler Longfellow, Boulder Creek or Pride of the West.

■ If the water quality cushion is not met, Sunnyside will negotiate projects to improve water quality and morale from the imminent closure of the Columbine, Moss and London Mine portals. These projects involve other owners and will require their approval before work starts.

■ Once the agreement is completed, the state will terminate Sunnyside's discharge permits for the American Tunnel and the smaller Terry Tunnel. Sunnyside will have no future liability for seeps and springs that start flowing from the plugging of these portals.

■ If the agreement is prematurely terminated, Sunnyside and the Division of Water Quality Control will return to court. For 30 months, Sunnyside must treat and store from the American Tunnel and Cement Creek up to its peak capacity. If Sunnyside disobeys an order as a result of bankruptcy, the division will be able to continue treating, drawing upon a financial cushion provided by Sunnyside's parent company.

■ During the term of the agreement, Sunnyside will be bound by its discharge permit and reclamation permit. Monitoring agreements will expand to include additional constituents at numerous sites.

Electa Draper

viable gold deposits played out the base metals market would no

longer support the cost of operations."

DENVER POST

2/17/96

EMPIRE

Animas River pact reached

SILVERTON — Sunnyside Gold Corp. and the Colorado Department of Public Health and Environment have reached a precedent-setting agreement aimed at improving water quality in the Animas River Basin.

The agreement, announced by both Sunnyside and the health department yesterday, was reached after lengthy negotiations that involved the Colorado attorney general's office.

It will permit Sunnyside to permanently close its Sunnyside gold mine, about 7 miles north of Silverton, and plug the American and Terry tunnels that provided access to the mine.

The order calls for the company to remove several tailings piles in the area and to divert and treat water from a nearby creek to protect the Animas River from possible short-term pollution while the cleanup occurs.

The agreement, to be filed in a consent decree in Denver District Court after review by the attorney general's office, resolves a lawsuit Sunnyside filed in 1994 to get a clarification on the state's enforcement of water-quality rules regarding discharges.

The Sunnyside Mine operated from the 1880s through 1991, when it closed after economically viable gold deposits played out. Sunnyside, a subsidiary of Echo Bay Inc. of Denver, acquired the mine in 1985.

DENVER POST 2/17/96

Echo Bay strikes deal on mine cleanup

By Jeanie Stokes
Bloomberg Business News

Denver-based Echo Bay Mines Ltd. reached an agreement with Colorado environmental regulators to spend as much as \$10 million to clean up historic mining sites near the company's Sunnyside mine.

Echo Bay's Sunnyside Gold Corp. unit will handle the two-year cleanup of seven sites north of the historic mining town of Silverton. The cost is expected to be between \$5 million and \$10 million, the company said.

The agreement between Echo Bay and the Colorado Department of Public Health and Environment "ensures that important reclamation work along the Upper Animas River, not available before the agreement, will be carried out," said Bill Goodhard, Sunnyside Mine manager.

Echo Bay's wholly owned unit acquired the Sunnyside mine in 1985 and operated it until 1991, when the once prosperous gold property played out. The company said it already spent \$9.9 million to clean up the Sunnyside site.

The agreement should settle a lawsuit the mining company filed in 1994 seeking clarification of the state's water-quality statute, Echo Bay said.

The state district court and the state attorney general's office must approve the agreement. State and federal officials, environmentalists and mining executives are concerned that water in the Upper Animas basin above Silverton is tainted by leakage from the mines, endangering fish and plants in the river below Silverton.

Echo Bay will seal two of the mines' tunnels and remove several piles of waste rock, known as tailings. The runoff from the tailings piles contains minerals residue, like zinc, that leaks into the river, affecting its water quality.



SUNNYSIDE GOLD CORPORATION

AN ECHO BAY COMPANY

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Contact: Bill Goodhard (970) 387-5533
Pete Webb (303) 790-8008

February 17, 1996
FOR IMMEDIATE RELEASE

**SUNNYSIDE GOLD AND STATE HEALTH DEPARTMENT
AGREE ON EXPANSION OF UPPER ANIMAS MINE SITE CLEAN-UP**

SILVERTON, CO -- An agreement reached between Sunnyside Gold Corp. and the Colorado Department of Public Health and Environment (CDPHE) will maintain water quality in the Upper Animas River Basin and remove historic tailings and waste piles from abandoned mine sites.

In a precedent-setting agreement with CDPHE, Sunnyside Gold Corp. has agreed to expand its reclamation efforts within the Upper Animas Basin north of Silverton, beyond Sunnyside Gold Corp. property, and work on remediation of long-abandoned mine sites which are leaching metals into the Animas River.

The agreement, to be filed in a consent decree in Denver District Court after review by the state Attorney General's office, resolves a lawsuit that Sunnyside filed in 1994 to obtain a judicial declaration of a portion of the state Water Quality Control Act. The disputed interpretation was the source of Health Department objections to Sunnyside's plans to complete its reclamation of the last vestiges of the Sunnyside Mine, a once-prosperous gold producer that closed in 1991. The Health Department had sought to hold Sunnyside liable for the effects of restoring the pre-mining groundwater conditions. Sunnyside sued to get clarification on the state's enforcement of water quality rules.

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Sunnyside-CDPHE Agreement
Page Two

"This type of agreement has never been accomplished," said Bill Goodhard, Sunnyside Mine manager. "It establishes a process that responds to the legitimate interests of both parties, and ensures that important reclamation work along the Upper Animas River, not available before the agreement, will be carried out. The real winners here are the citizens of San Juan and La Plata counties who will be enjoying improved water quality as a result of these extended reclamation projects."

Sunnyside has agreed to remediate old, historic mine tailings piles, waste dumps and other mining debris not only on its site but near Cement Creek and other tributaries which flow into the Animas. The drainage from the tailings sites affects the water quality in the river, when metals such as iron, manganese, zinc and aluminum wash into the river during storms and spring run-off. Sunnyside Gold has invested \$9.9 million in reclamation at the Sunnyside and Mayflower Mill locations to date and estimates it will spend up to between \$5 and \$10 million and two years on reclamation of the seven sites.

The removal of the historic tailings piles, which has vexed state regulators for years, will reduce the level of metals in the river, and allow Sunnyside to proceed with plans to dramatically reduce the volume of water flowing from the Sunnyside Mine. Sunnyside has been treating the mine water since its acquisition of the mine in 1985.

In 1993, the Mined Land Reclamation Board granted the mine a permit which required it to seal the mine as one of the final steps in reclamation. In May, 1994, Sunnyside sued the Health Department to prevent the Department from requiring new permits for seeps and springs that may form as a result of hydraulically sealing the American Tunnel. The lawsuit would have resolved the apparent differences between the two state agencies' reclamation directives.

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Sunnyside-CDPHE Agreement
Page Three

The Sunnyside Mine operated from the 1880s through 1991, when it closed after economically viable gold deposits played out and the base metals market would no longer support the cost of operations. Sunnyside is a wholly-owned subsidiary of Echo Bay Inc., based in Denver. Echo Bay is a major gold producer with mines in the United States and Canada.

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Colorado Department
of Public Health
and Environment

*"To protect and improve
the health and environment
of the people of Colorado"*

NEWS

4300 Cherry Creek Drive South, Denver, CO 80222 • (303) 692-2000

Contact:
Cindy Parmenter
Director of Communications
(303) 692-2013

For Immediate Release

Friday, February 16, 1996

HEALTH DEPARTMENT AND SUNNYSIDE GOLD AGREEMENT DESIGNED TO PROTECT WATER QUALITY IN ANIMAS RIVER BASIN NEAR SILVERTON

DENVER - The Colorado Department of Public Health and Environment Friday joined the Sunnyside Gold Corp. in announcing that a precedent-setting agreement has been reached between the department and the mining company to improve and protect the quality of water in the Animas River Basin in the Silverton area.

The agreement, reached after lengthy negotiations between the parties and involving the Colorado Attorney General's Office, will permit Sunnyside to permanently close its Sunnyside Gold Mine and plug the American and Terry Mine Tunnels, which provided access to the mine. The mine is located approximately seven miles north of Silverton.

However, in order to protect the quality of water in the Animas River from seeps and springs which may emerge following mine closure, the mining company will remove several tailings sites in the area. The company also will divert and treat water from a nearby creek to protect the Animas River from possible short-term effects while the mitigation proceeds.

Although not created by Sunnyside mining operations, the additional waste dumps and tailings piles will be cleaned up to reduce any additional mineral residue leakage into the river in the area.

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Sunnyside Mine Agreement - Page 2

Patti Shwayder, the department's acting executive director, said, "This is a unique and innovative agreement that we believe will be beneficial to the entire Animas River watershed. The agreement will result in control of pollution and in the improvement of water quality. It will be precedent setting for the state's mining industry as well as having major ramifications for the stakeholders in the area."

Shwayder said under one of the environmental protections in the agreement, Sunnyside will undertake a second series of tailings removal projects if the first seven projects don't achieve the desired water quality level.

Before the Sunnyside Gold Corp. took over operations of the mine in 1986, the mine was discharging 100 pounds of zinc into the river daily. The mine was operated by various companies from the 1880s to 1991 when it was closed after economically viable gold deposits played out.

The Sunnyside Mine presently discharges four pounds of zinc daily after treatment. That level and no greater amount is what is needed to maintain the existing quality of the Animas River below Silverton which is a basic requirement of the agreement.

Shwayder said that to provide protection for the State of Colorado and its citizens in the case that the agreement is prematurely terminated and work not completed, a \$5 million surety bond is required. The \$5 million would be paid to the state for continuation of water treatment in case of a default or bankruptcy.

The agreement was drafted to cover a seven-to-10-year period. When the terms of the agreement are fulfilled and the project completed, Sunnyside will be released from the terms of its discharge permit issued by the department's Water Quality Control Division.

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Sunnyside Mine Agreement - Page 3

J. David Holm, the division director, said, "This approach provides a means of inactivating permits for mines with discharges which can be adequately controlled with bulkhead seals. Any water quality problems resulting from seeps and springs following mine closure must be fully compensated for by the performance of reclamation projects at nearby abandoned mines."

Sunnyside filed a lawsuit in Denver District Court in May 1994 to clarify the division's long-term, legal authority for requiring treatment of mine runoff.

Sunnyside is a wholly-owned subsidiary of the Denver-based Echo Bay Mines. Echo Bay is a major gold producer with mines in the United States and Canada.

The Animas River Stakeholders, a group of area citizens, environmentalists, mining industry representatives and local, state and federal officials, also have been working on water quality issues in the Upper Animas Basin above Silverton in order to improve conditions for aquatic life in the Lower Animas River Basin below Silverton.

Holm explained that the area above Silverton has been so heavily impacted by past mining activities and natural mineralization that there currently is limited potential for aquatic life in the river.

According to Holm, a 30-day public comment period on the agreement is scheduled to begin in several weeks and will be announced at that time by the water division.

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